Office of City Auditor

Managing the Real Property Assets of the City of Seattle

December 12, 2001

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City of Seattle

Office of City Auditor
Susan Cohen, City Auditor

December 12, 2001

The Honorable Paul Schell
Seattle City Councilmembers
City of Seattle
Seattle WA 98104

Dear Mayor Schell and City Councilmembers:

Attached is a report by the Office of City Auditor entitled, *Managing the Real Property Assets of the City of Seattle*. The City Auditor initiated this review to evaluate efforts to establish a more centralized property management philosophy in the City of Seattle. We examined the City's database of City-owned real property, reviewed compliance with real property policies and procedures, and asked how the City identifies and protects properties with potential historic value.

We concluded that the City has made substantial progress in its effort to increase the centralization of real property management. In the last ten years the City has developed a database and computer map system of City-owned real property, established a Real Estate Services unit (RES) in the Fleets and Facilities Department and a City-wide committee to oversee real property issues, and adopted new policies and procedures regarding real property transactions and usage by City departments.

Some aspects of centralization remain problematic. Some jurisdictional departments have embraced increased centralization more than others. Neither RES nor the jurisdictional departments have entirely followed the real property usage status reporting scheme established by the new procedures. The Fleets and Facilities Department generally agreed with our conclusions and recommendations. The Department's written response is included in the report as Appendix B.

The City's real property database does not always include designations of historic value, but the Department of Neighborhoods recently conducted a survey of City-owned property to identify those with potential historical significance, and is developing a process for departments to evaluate the historic significance of properties they acquire.

We also concluded that the Legislative Department does not maintain a list of all reports that are mandated by City ordinance, or a system to track when such reports are due to the City Council. We believe the Council should direct the City Clerk or other appropriate office to develop such a system, and should review the list of reports periodically to decide which should continue to be produced.

We appreciate the cooperation and assistance we received from ESD/Fleets and Facilities personnel, as well as from representatives of Seattle Public Utilities, Seattle City Light, the Departments of Transportation, Neighborhoods, and Parks and Recreation, and the City Clerk.

If you have questions regarding this report, please contact me at 233-1093 or Jerry Stein at 233-1091. To improve our work, we invite you to complete and return the evaluation form at the back of this report.

Sincerely,

Susan Cohen
City Auditor

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EXECUTIVE SUMMARY

Purpose

The City Auditor initiated this review to evaluate recent efforts to establish a more centralized real property asset management philosophy and systems for the City of Seattle. In particular, we wanted to examine the City's database of City-owned real property, which is maintained by the Fleets and Facilities Department (formerly the Executive Services Department (ESD)), and to determine how the City manages properties with potential historic value.

Summary of Conclusions and Recommendations

The City has made progress in its effort to increase the centralization of real property asset management. This centralization has improved awareness of unused property and produced other benefits; however, some aspects of centralization remain problematic.

In the last ten years the City has developed a database of City-owned real property, established a Real Estate Services unit (RES) and a city-wide committee to oversee real property issues, and adopted new policies and procedures regarding real property transactions and usage.

These developments have allowed RES to begin identifying land that the City no longer needs; selling these parcels generates immediate revenue for the City as well as recurring real property tax revenue for local and state governments. RES has corrected King County Department of Assessments records for many City-owned parcels; previously many tax bills were being delivered to the wrong departments.[1] RES also worked with the Parks and Recreation Department (Parks) and Seattle Public Utilities (SPU) to use the RPAMIS database to help develop a comprehensive database and GIS map of Parks land, which was needed for the Pro-Parks levy on the November 2000 ballot.

One of the most notable recent achievements made possible by increased centralization of real property management has been RES's contribution to the City's Neighborhood Planning effort. RES staff identified unused City-owned real property in each established Neighborhood Plan area, then worked with jurisdictional departments, neighborhoods, and the Real Estate Oversight Committee to develop proposed uses for those properties as part of the Neighborhood Plan process.

On the other hand, the division of responsibility between RES and jurisdictional departments is different from one department to another, and is sometimes unclear. Some jurisdictional departments have embraced increased centralization and RPAMIS more than

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[1] The City does not pay real property taxes, but must pay surface water management fees and other fees associated with real property tax bills.

others have. Neither RES nor the jurisdictional departments have followed the real property usage status reporting scheme established by the new procedures. RES staff reported that the jurisdictional departments are inconsistent about involving RES in transactions and reporting completed transactions.

The following specific conclusions and recommendations support this general conclusion (stated in boldface, above):

- City departments have not identified a future use for each property they classify as "Unused", and RES does not monitor the departments' progress regarding such future uses…. When a jurisdictional department classifies a property as Unused, it should identify a future use for the property and a date upon which they expect such use to begin. RES should monitor the progress of jurisdictional departments toward the future uses they have identified.

- RES and the jurisdictional departments have not consistently followed the property usage review and reporting guidelines established in City policies…. RES should assist jurisdictional departments as needed to ensure that the departments are able to review RPAMIS property classification information for their real properties… RES should submit annual status reports and quarterly Excess Property status reports to the appropriate City Council committee(s)… The City Council, REOC, RES, and jurisdictional departments should consider revisiting the issues of timing and content of real property status reporting.

- The City's property classification system is not as clear and comprehensive as it could be… The City Council, the REOC, RES, and interested departments should consider refining the property classifications described in the *Procedures.*

- The Excess Property process established by the *Procedures* requires jurisdictional departments to evaluate uses proposed by other departments and recommend one to RES. The process could be improved by replacing this requirement with an opportunity for jurisdictional departments to express concerns about or veto proposed uses.

- RES, jurisdictional departments, and the REOC have been fulfilling the City Council's objective of ensuring that neighborhoods have opportunities to consider potential uses of excess City-owned property.

- Jurisdictional departments have not consistently informed RES about real property transactions and changes in property usage… Jurisdictional departments should consistently report changes in real property status to RES, as required by the *Procedures*. RES should continue working with jurisdictional departments to improve the usefulness and user-friendliness of RPAMIS.

- Decentralized entry of data pertaining to past real property transactions may be compromising the accuracy and usefulness of the RPAMIS database… RES and jurisdictional departments should consider ways to better ensure the accuracy of the real property data in the RPAMIS database.

Although the RPAMIS real property database does not include designations of historic value, the risks associated with City ownership of potentially historic structures are being addressed in other ways.

We reached this conclusion for the following reasons:
1) The RPAMIS database includes information about structures on each subject property, including their construction dates;
2) Generally, there is no legal liability for destroying or altering structures on the federal or state historical registers unless federal or state funds were used in their construction or renovation, or are being used in their destruction or alteration; and
3) A consultant is currently leading the Department of Neighborhoods (DON) in conducting a survey of City-owned property to identify those with potential historical significance, and developing a process for departments to evaluate the historic significance of properties they acquire.

Other Issues

The City does not maintain a comprehensive list of reports that are mandated by City code or policies, or a system to track when such reports are due to the Mayor or the City Council.

When we learned that RES had not submitted annual reports in 1999 and 2000, as required by procedures adopted by the City Council in 1998, we asked Legislative Department personnel whether the City Council had been aware that the reports were not submitted. We learned that there is no system to track these or other reports due to the City Council.

The City Council should direct the City Clerk or other appropriate department to develop a list of all reports that are routinely owed it, and establish a system that will ensure that such reports are submitted as required. The Council should also review the list, initially and periodically, to determine whether it wishes to continue to receive the reports.

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INTRODUCTION

Background

The Charter of the City of Seattle states that the City "may purchase, receive, hold and enjoy real and personal property within and without its corporate limits, and may sell, convey, mortgage and dispose of the same for the common benefit".[2] The City does not hold real property for speculative investment purposes. As of April 2000, City-owned real property in King County had an assessed value of about $2.3 billion.

Generally, each parcel of City-owned property is assigned by ordinance to a "jurisdictional department". The jurisdictional department manages its property in support of its mission, or it may arrange to have another department manage specific property. For example, the Parks and Recreation Department often manages greenbelts assigned to other departments.

The Fleets and Facilities Department (FFD) manages City office buildings, all public safety facilities, and other properties. The Real Estate Services unit (RES) of FFD is responsible for strategic real property asset management of the City's real property portfolio.[3]

The Real Estate Services unit (RES)

In a 1996-97 budget proposal, ESD's Director of Facilities Services asked the Budget Office to assign 24 existing City staff positions to a new central real property unit in ESD. The Mayor and City Council approved the reconfiguration of 11 positions to create the RES unit in ESD's Facilities Services Division.

RES's mission is to provide the Mayor and City Council with a corporate real estate perspective, to provide real property support to other City departments, and to maintain and expand the Real Property Asset Management Inventory System (RPAMIS).

RES's Transactions section maintains the RPAMIS database of City-owned real property, conducts title research, and assists FFD and other departments with appraisals, lease negotiations, and other real property transactions. The Strategic Planning section of RES analyzes the City's real property portfolio and prepares strategic plans for properties. It has been reviewing City-owned property for each neighborhood as part of the City's Neighborhood Plan process.

The Real Estate Oversight Committee

The Real Estate Oversight Committee (REOC) was created when RES was formed in 1997. It consists of City department directors or their designees, chaired by a member of the Mayor's Office.

The REOC meets monthly to review proposed real property transactions and to advise departments and the Mayor regarding real property matters. It played a significant role in reviewing possible new uses for City properties identified as part of the Neighborhood Plan development process.

The REOC's original mission was to provide high-level, City-wide oversight of real property issues. This mission is now fulfilled primarily by the Capital Sub-Cabinet, created by the Mayor to address capital project issues. The REOC is now envisioned as a place for preliminary policy and issue discussions and interdepartmental communication regarding real property issues.

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[2] *Charter of the City of Seattle*, Article I, Section 1.
[3] The ESD was reorganized on January 1, 2001, to form the Departments of Finance, Personnel, and Fleets and Facilities. Because our analysis was conducted in 2000, this report retains many references to ESD.

Objectives, Scope, and Methods

Objectives

The objectives of this review were:

1. Evaluate the progress made by Real Estate Services (RES) and other City departments in implementing the City's centralized real property asset management policies and procedures;

2. Review the continuing development of the City-wide real property database (RPAMIS) and its use by jurisdictional departments; and

3. Determine how the City manages City-owned real property that has potential historic value.

Scope

We examined the following aspects of the City's real property asset management operations:

➢ RES's and jurisdictional departments' compliance with the City-wide real property policies established by the Mayor and City Council in 1998.
➢ Property management roles of RES, jurisdictional departments, and the Real Estate Oversight Committee (REOC).
➢ The City's real property database (RPAMIS), managed by RES.
➢ Identification of historic or potentially historic City-owned property.

We did not evaluate the real property policies and practices of jurisdictional departments, except as they related to RES's responsibility for centralized real property asset management.

Methods

In the course of this project we:

➢ Examined City ordinances and policies regarding real property asset management;
➢ Interviewed personnel from ESD's Real Estate Services unit and Facilities Management Division;
➢ Interviewed real property managers in the Departments of Transportation (SeaTran), Parks and Recreation (Parks), Seattle Public Utilities (SPU), and Seattle City Light (SCL);
➢ Observed entry of historical real property transaction information from jurisdictional department records into the City's real property database;
➢ Examined RPAMIS statistics regarding real property usage and disposition; and
➢ Interviewed personnel from the Law Department and the Department of Neighborhoods regarding historic property issues.

This audit was conducted in accordance with generally accepted government auditing standards.

CONCLUSIONS AND RECOMMENDATIONS

The City has made progress in its effort to increase the centralization of real property asset management.

Until the 1990s, each City department with jurisdiction over real property was responsible for its own real property management, including transactions, record-keeping, and physical maintenance of its real property interests. Seattle City Light, Seattle Public Utilities, Seattle Transportation, and the Parks and Recreation Departments are some of the major property-owning City departments.

Efforts to develop consistent policies for real property asset management began in 1978, when the City Council passed a resolution asking each property-owning department to develop 1) a standard operating procedure for the disposition of surplus property and 2) a real property inventory system. The Council also directed the Superintendent of Buildings (not a current position) to develop a quarterly status report on the City's real property, as then required by the City's charter.[4]

In 1980 the City Council adopted a resolution proclaiming "[t]hat City-owned real property should neither be retained idle in the City inventory, without an identified current or future use, nor sold without a prior review of [its] potential public and developmental uses", and that the City "should make prompt, informed and consistent decisions regarding the disposition of" such properties.[5] This resolution established priorities for the disposition of surplus properties, with low-income housing as the first priority, followed by job development for low-income people, non-City public use, and sale to the public.

In the spring of 1992, the Mayor's Office assembled an inter-departmental task force—led by the Department of Administrative Services (DAS), predecessor to ESD—to develop a comprehensive City-wide real property asset management program. With input from the Mayor and City Council, the task force set out to 1) establish a City-wide real property information system, and 2) develop City-wide procedures that would encourage departments to review excess property for alternative uses and enhance citizen participation in property disposition decisions.

Development of a City-wide real property information system

From the task force, a committee of DAS/ESD staff and real property staff from other departments was formed to develop a design for a database of City-owned property. The database was to be known as the Real Property Asset Management Information System (RPAMIS). RPAMIS was intended to be a central summary-level data source that would link to, but not entirely replace, City departments' real property information systems.

The database was programmed in 1995-96 under DAS project management, and made available to departments in early 1997. DAS staff populated the database with data from the real property database of the King County Department of Assessments and City departments. These data included the taxpayer's name(s), geographic location, and assessed value of each parcel.

The assessor's database information provides a "snapshot" of current land ownership and value, but does not include enough detailed information about prior transfers of title to satisfy some City needs. In particular, if two tax parcels are merged (due to purchase by a common owner), prior transaction history is not preserved in the assessor's database.

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[4] Seattle City Council Resolution 25847, 07 August 1978.
[5] Seattle City Council Resolution 26358, 30 June 1980.

But the City often needs to trace its title back to the transaction(s) in which it acquired a parcel.[6] Therefore, RPAMIS was designed with the intention that the county assessor's data would eventually be replaced by information about past transactions.[7] The task force expected that this transaction information would be gleaned from the real property records of each City department and entered into the RPAMIS database. (See page 19 for more about this process.)

After populating the RPAMIS database with the assessor's data, DAS created a set of 200 maps identifying City-owned property to jurisdictional departments, then sent the maps to the departments for verification. The verified jurisdiction information was added to RPAMIS and used to create the Property Management Area (PMA) layer in the City's Geographic Information System (GIS).[8] (PMAs and other RPAMIS concepts are described further in a text box on page 5.)

The RPAMIS database currently contains data for over 13,500 active subject parcels, associated with over 1,100 PMAs. The number of subject parcels will continue to grow as new transactions occur, and as departments' information about past transactions is entered into the database.

To ensure that owner information in RPAMIS and the county assessor's records are

accurate, RES reconciles the database with King County's records four times each year. Because the RPAMIS database contains so much information, and because that information is linked in complex ways, some training is necessary to use it effectively. Furthermore, RPAMIS software must be installed on the user's computer. RES personnel have trained over 25 employees of the Parks and Recreation, SPU, SCL, and Fleets and Facilities Departments to use RPAMIS, and it has been installed on computers in those departments.

Citizens and City staff can retrieve some information about City-owned real property through a relatively simple application that is available to the public through the City's Public Access Network (PAN) on the Internet.[9] By entering a street address or the name of a neighborhood, users can view a zoom-capable map, generated by the City's GIS, that shows which properties are owned or leased by the City, and by which department.

Development of City-wide real property policies

In August 1998 the City Council passed a resolution to adopt two real property policy documents: 1) *Policies and Procedures to Evaluate the Acquisition of Real Property Rights* and 2) *Procedures for the Evaluation of the Reuse and Disposal of the City's Real Property.*[10] Both documents were developed by RES, in conjunction with jurisdictional departments and the Legislative Department.

Acquisition policies and procedures

City departments initiate real property acquisition transactions when they need to acquire property. The *Policies and Procedures to Evaluate the Acquisition of Real Property Rights (Policies)* provides guiding principles and analytical factors to be considered by the acquiring department and

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[6] The City's ability to use or sell a particular parcel of real property can be limited by the way the parcel was acquired. For example, if the City purchases or otherwise takes ownership of real property on the condition that the property will always be used as a park, the City cannot use the property for anything else. Also, the funding sources used to acquire a parcel may determine how sale proceeds will be distributed.

[7] When the City had its own real property title research function, it maintained transaction information in paper records called abstracts. The abstracts still exist but the City stopped updating them in the early 1980s.

[8] A Geographic Information System, or GIS, is a computer system capable of assembling, storing, manipulating, and displaying geographically referenced information. It begins with a base map, to which layers of geographically referenced information—locations of buildings, parks, water or sewer lines, power lines, types of vegetation, etc.—can be added.

[9] http://www.cityofseattle.net/gis/docs/mapsonline.htm
[10] Seattle City Council Resolution 29799, 10 August 1998.

Transactions, Subject Parcels, and Property Management Areas (PMAs)

RPAMIS was designed to be a database of real property *transaction* information as well as of current ownership information, so its fundamental record units are transactions and "subject parcels" instead of street addresses or tax parcels. A subject parcel is defined for the database as a parcel of real property for which property rights are purchased, sold, or otherwise exchanged, in a single transaction on a single date, between the City and another party.

To group transactions and subject parcels that are related by location or use, the RPAMIS database employs a concept called a "Property Management Area" (PMA). A PMA is an area that is managed as a single facility; for example, a park, an electric utility substation, or a City office building.

Each department names its own PMAs and decides which parcels to associate with each PMA. Usually, all transaction and subject parcel records for parcels at a particular site will be linked to the site's PMA name and number. Thereafter, if a user enters the PMA name or number into RPAMIS, RPAMIS will display all of the transaction and/or subject parcel records associated with that PMA. The user will be able to see when, how, and from whom each parcel was acquired, whether any portions have been sold or easements granted, and more.

If the Seattle City Light Department (SCL) purchases a parcel of land in 2001 to create Hypothetical Substation, SCL or RES staff will record a new transaction, a new subject parcel, and a new PMA ("Hypothetical Substation PMA") in RPAMIS. If SCL enlarges the substation by acquiring a parcel of adjacent land in 2002, another transaction and another new subject parcel will be recorded in RPAMIS and associated with Hypothetical Substation PMA. (The county assessor's office may combine the two adjacent parcels into a single tax parcel since the taxpayer—City of Seattle, SCL— is now the same for both parcels.)

If SCL decides in 2003 that it does not need the Hypothetical Substation property, it will classify the PMA as Excess Property; this triggers the City's property review procedures. (Property classifications are described at page 6; Excess Property disposal procedures are discussed at page 13.) If no other City department or public agency wants the property, it will probably be designated Surplus Property by the City Council and offered for sale by public bid.

When the Hypothetical Substation sale closes, RES will record the sale transaction in RPAMIS and link the transaction to the Hypothetical Substation PMA name and number. The subject parcels that were created when each parcel was acquired will remain in the database, but RES staff will change the "status" field for each subject parcel to "disposed", indicating that they are no longer owned by the City. RES will also change the subject parcels' links to Hypothetical Substation PMA from "active" to "inactive".

RES before acquiring real property. The *Policies* encourage departments to consider whether their needs can be met with existing City-owned property.

The *Policies* also describe the expected roles of the acquiring department, RES, and the REOC in 23 different types of real property acquisition transactions. According to the *Policies*, RES is expected to have a substantial role in condemnation proceedings, leases, utility easements, and ordinary real property purchases. However, "specific acquisitions that have already been authorized by the City Council or that are part

of a broad program approved by the City Council are not subject to further analysis and review by RES."[11]

The *Policies* create a two-step analysis of proposals to acquire real property rights: a general feasibility analysis and a site-specific analysis. Depending on the criteria discussed in the previous paragraph, RES may assist the acquiring department with these analyses. Criteria in the *Policies* determine whether the REOC should be involved in these analyses.

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[11] *Policies and Procedures to Evaluate the Acquisition of Real Property Rights*, section 8.0.

Reuse and disposal policies and procedures

The stated purpose of the *Procedures for the Evaluation of the Reuse and Disposal of the City's Real Property (Procedures)* is to "establish a uniform evaluation process for the Reuse or Disposal of Real Property owned in fee simple[12] by the City of Seattle."[13]

The *Procedures* direct all City departments that own real property to assign each of their properties to one of the following categories:

➢ **Fully Utilized Municipal Use Property** – Municipal Use Property that is actively being used for municipal purposes to the fullest capacity possible under any required restrictions on its Municipal Use.

➢ **Underutilized Property** – Municipal Use property that could support additional and/or more intensive uses without interfering with the primary use of the property.

➢ **Unused Property** – Property owned by the City that is not currently in Municipal Use and that is not being rented, leased, or otherwise used under an agreement with the City.

➢ **Interim Use** – The use of property for a non-municipal use(s) on a short-term basis during the period of time prior to its being used for its proposed future Municipal Use.

➢ **Excess Property** – Real Property that the Jurisdictional Department has formally determined it no longer needs for the Department's current or future use.

➢ **Surplus Property** – Excess Property formally designated by the City Council as not needed to carry out any recognized goal or policy of the City.[14]

The chart below shows the current distribution of the City's 1,100 PMAs among these property classifications, as recorded in the RPAMIS database.[15]

City Property Management Areas
Classified by Use

- Underutilized 2%
- Unused 9%
- Interim 0%
- Excess 9%
- Surplus 0%
- Unknown 2%
- Fully Utilized 78%
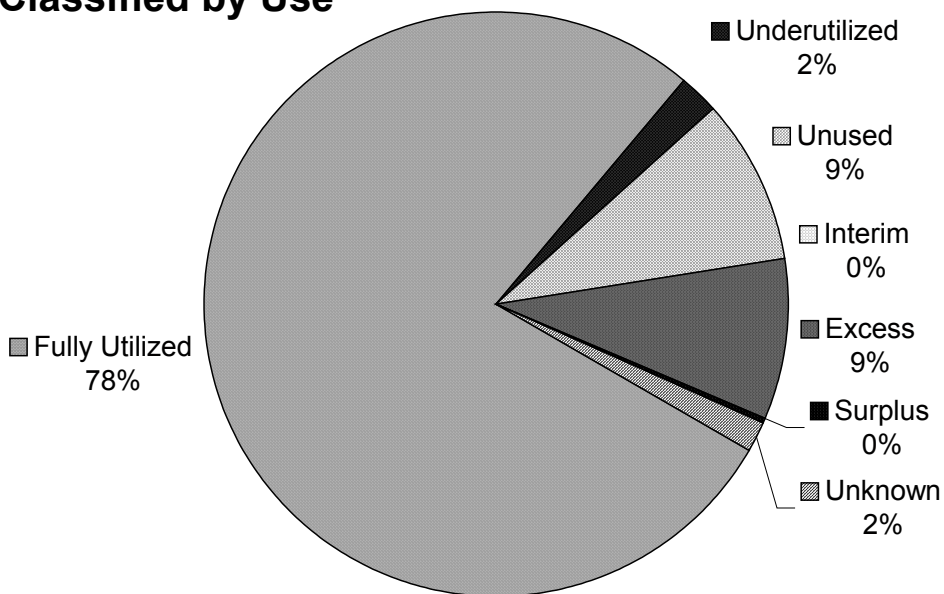
Source: Real Estate Services

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[12] Fee simple ownership is ordinary, unconditional ownership of real property, in which the property deed imposes no restrictions on the owner's ability to use or transfer the property.

[13] *Procedures for the Evaluation of the Reuse and Disposal of the City's Real Property*, section 2.0.

[14] *Procedures*, section 1.0.

[15] It is likely that the "Fully Utilized" category is overstated. Some RPAMIS PMA classification data are based on recent RES evaluations for the Neighborhood Plans, but some data are based on jurisdictional department classifications that may have been entered in the database before the City Council adopted the *Procedures*. We did not evaluate whether the property classification data in RPAMIS accurately reflect current uses of the PMAs.

According to the *Procedures*, jurisdictional departments are expected to annually review each property classified as Underutilized, Interim Use, or Unused, to identify potential additional uses or future uses. Each Fully Utilized Property is to be reviewed by its jurisdictional department once every five years to consider the suitability of its current use. (Each jurisdictional department is expected to review one-fifth of its Fully Utilized properties each year.)

With RES's help, the jurisdictional department is expected to take certain actions based on its classification of each property. The table below summarizes the actions jurisdictional departments are expected to take when they review their property usage.

RES's Strategic Planning staff originally expected to review the jurisdictional departments' property classification decisions, especially in the Fully Utilized Municipal Use category, either on an ongoing cycle or upon request by City officials. This effort began with the development of strategic plans for each Neighborhood Plan area. However, due to time pressures, RES staff had to focus on properties classified by the jurisdictional departments as Unused. RES officials believe that a significant percentage of property classified as "Fully Utilized" could accommodate other municipal uses on a co-location basis or by carving off excess land not required for the primary use.

Property Usage Classifications and Department Actions Prescribed by the *Procedures*

Initial Use Classification	Required Department Action	Ideal Resulting Use Classification
Fully Utilized Municipal Use	None	*Fully Utilized Municipal Use*
Underutilized	Identify additional use(s)	*Fully Utilized Municipal Use*
Unused (future use identified)	Identify interim (non-municipal) use(s)	*Interim Use* (until *Fully Utilized Municipal Use* is implemented)
Unused (no future use identified)	Identify a future use OR reclassify as *Excess Property*	*Fully Utilized* (by another department) **or** *Surplus Property* (to be sold)

Source: *Procedures*, Table 1.

City departments have not identified a future use for each property they classify as "Unused", and RES does not monitor the departments' progress regarding such future uses.

In the initial property classification effort called for by the *Procedures*—an effort that was to have been completed by the end of 1998—jurisdictional departments did not have to identify future uses for Unused Property. "A property that could be slated for future municipal purposes, *but has not yet been so identified*, would be classified Unused."[16] (Emphasis ours.) For the subsequent annual property usage reviews, however, the *Procedures* indicate that "Unused Property for which no future Municipal Use is identified should be reclassified as Excess."[17]

Elsewhere, the *Procedures* imply that jurisdictional departments are expected not only to identify future uses, but also to provide a projected starting date for each future use:

> Every year, the Jurisdictional Department should review RPAMIS information for each of its properties—classification,

current use, *and any potential future use with its projected starting date*. A written confirmation of accuracy is due by February 15 to RES.[18] (Emphasis ours.)

This provision of the *Procedures* also implies that information about future uses and their projected start dates are expected to be entered into the RPAMIS database. The RPAMIS database includes fields for future, current, and past uses, including begin and end dates for each use.

Having departments identify future uses for Unused Property is critical to RES's centralized asset management mission because it helps ensure that departments do not hold unused property indefinitely.

As of November 2000, 100 of the City's 1,100 identified PMAs were classified as Unused. (See the chart below.)

Unused Property Management Areas
by department

ESD - Finance Division 43%

Parks and Recreation 1%

Office of Housing 3%

Seattle Public Utilities 8%

Seattle City Light 12%

Transportation 14%

ESD - Administrative Services Division 19%
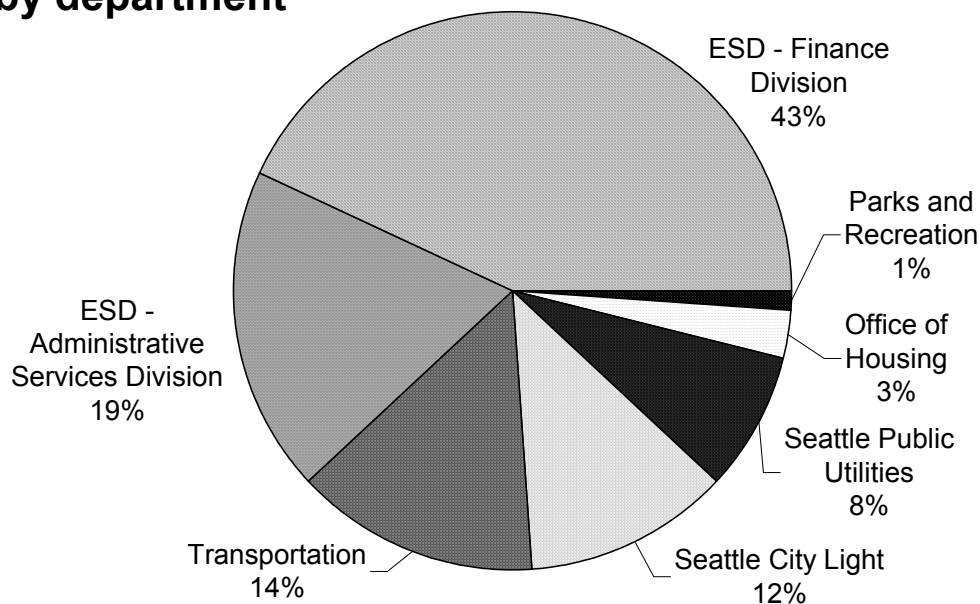
Source: Real Estate Services

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[16] *Procedures*, section 6.1.
[17] *Procedures*, section 7.1.1.

[18] *Procedures,* section 6.3.

ESD is the jurisdictional department for 62 of the City's 100 Unused PMAs. ESD's Administrative Services division inherited jurisdiction from the former DAS, which was responsible for Police, Fire, and general municipal property that was not being used by any other department. RES personnel told us that the Finance Division's 43 Unused properties are the result of foreclosures on properties for which Local Improvement District (LID) payments were in default. (LIDs are created to assess real property to pay for projects that benefit a limited area, for example, to pay for sidewalk construction.) The Finance Division assumed responsibility for these properties because of its role in LID collections, but it did not have plans for the properties. On January 1, 2001, the new Finance Department transferred responsibility for these properties to the Fleets and Facilities Department, which is drafting a disposition program for the parcels.

Recommendations

1. When a jurisdictional department classifies a property as Unused, it should identify a future use for the property and a date upon which it expects such use to begin.

2. RES should monitor the progress of jurisdictional departments toward the future uses they have identified.

3. The Finance Department should work with RES to develop procedures to dispose of properties it has acquired as a result of LID or other foreclosures.

RES and the jurisdictional departments have not consistently followed the property usage review and reporting guidelines established in City policies.

The *Procedures* direct each department to review RPAMIS database information regarding the status of each of its properties and provide RES with confirmation of or corrections to the data by February 15 of each year. RES, in turn, is supposed to use the updated information from the departments to generate an annual status report to the City Council and the REOC:

> By March 31 of every year, a status report for all City property covered by these procedures is due from RES to the REOC and City Council. For each property, this Real Property Status Report should list current classification, current use, the potential for Joint or Interim Use, and any intended future uses with their projected starting dates.
>
> In addition, RES will prepare and distribute a quarterly Excess Property Status Report to City departments, the REOC, City Council, and interested parties on record with RES.[19]

In July 1998, in anticipation of the adoption of the *Procedures*, RES sent an RPAMIS-generated report of real property usage information to the property management representatives of seven City departments, asking them to provide corrections within one month. The departments did so, and RES updated the database accordingly. However, RES did not prepare a Real Property Status Report in 1999 or 2000.

RES did produce an Excess Property Status Report in July 2000, in response to a citizen request. The report lists the name, address, and square foot area of each of the 101 PMAs then classified as Excess, grouped by jurisdictional department.

Representatives of RES and some jurisdictional departments provided several reasons why the departments did not review their RPAMIS information and RES did not

complete all of its reports to the City Council. One reason is that RES and the departments have been reviewing City-owned property usage for the Neighborhood Planning process, and this review has largely taken the place of the initial classification review that the *Procedures* called for in 1998. (The Neighborhood Planning process is discussed further at pages 15-16.)

For a variety of reasons (discussed further at pages 17-18), many of the jurisdictional departments have not embraced RPAMIS. Recognizing that the departments might be reluctant to initiate the annual reviews of RPAMIS data, the director of RES planned to assist the departments in 2000 by generating a report of RPAMIS property classification information for each jurisdictional department to review and respond to. (The *Procedures* do not assign that responsibility to RES.) RES staff did not complete this effort because of other demands on their time, including their work on the Neighborhood Planning process and sale negotiations for the Dexter Horton building.

Our research also led us to conclude that the City Council was probably not aware that these annual and quarterly property reports were due in 1999 and 2000. (See Other Issues, at page 21.) Under the circumstances, the council and departments may want to revisit the reporting requirements adopted in the *Procedures*.

Recommendations

4. Each jurisdictional department should review its real property, in accord with the schedule established in the *Procedures*, "to consider the suitability of each property for its current use and to consider Reuse or Disposal of Underutilized and Unused Property".[20]

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[19] *Procedures*, section 6.3.

[20] *Procedures*, section 6.2.

5. RES should assist jurisdictional departments as needed to ensure that the departments are able to review RPAMIS property classification information for their real properties. Each jurisdictional department should review the RPAMIS property classification information and submit confirmations and corrections to RES by February 15 of each year, as the *Procedures* indicate.

6. RES should submit the annual status report and quarterly Excess Property status reports to the appropriate City Council committee(s). If a department has not reviewed its RPAMIS usage data, RES should use its most recent data and indicate when each property's information was last reviewed by its jurisdictional department.

7. The City Council, REOC, RES, and jurisdictional departments should consider revisiting the issues of timing and content of real property status reporting.

The City's property classification system is not as clear and comprehensive as it could be.

The *Procedures* identify seven use classifications for City-owned real property. In addition to the six classifications listed at page 6, the *Policies* define **Joint Use** as "the shared use of City-owned Real Property by two or more City departments or by a City department(s) and one or more Public Agencies or private parties." The *Policies* do not direct the jurisdictional departments to use the Joint Use classification, and RES does not use the Joint Use classification in RPAMIS.

Although these classifications have proven useful, they seem to combine several concepts in ways that may be confusing. Some of the classifications describe degree of use, others describe type of use, and others reflect designations based on actions taken by departments, RES, or the City Council. In our estimation:

- Fully Utilized (Municipal Use), Underutilized, and Unused classifications describe *degree* of use.

- (Fully Utilized) Municipal Use, Joint Use, and Interim Use reflect *type* or *nature* of use. They could describe underused property as well as fully used property. Furthermore, Joint Use may or may not be exclusively municipal use.

- Excess and Surplus reflect status within the City's property management system. Excess and Surplus Properties are former Unused Properties that have passed through certain processes described by the *Procedures.* (See the definitions at page 6 and discussion at page 13.)

The Fully Utilized Municipal Use classification is especially problematic because it combines a degree of use with a type of use. In practice, full use can be exclusively municipal use by one or more departments, entirely non-municipal use (Interim Use), or joint use consisting of municipal use by a department and non-municipal use by another party. The latter situation cannot be properly assigned to any of the six classifications prescribed by the *Procedures*.

We believe that departments will be more likely to embrace a property classification system if the classifications are clear and comprehensive.

Recommendation

8. The City Council, the REOC, RES, and interested departments should consider refining the property classifications described in the *Procedures*. An essential factor will be the ability to integrate the refined system with current database records.

The Excess Property process established by the Procedures places an unnecessary burden on jurisdictional departments.

Description of the Excess Property process

To begin disposing of a PMA, the jurisdictional department must inform RES that it considers the PMA to be Excess Property. RES then begins an extensive process established by the *Procedures*, as described below and as represented by a flow chart that appears in this report as Appendix A.

When a department decides that it has no current or future use for a parcel it owns, it submits an *Excess Property Description Form* to RES. RES then circulates an *Excess Property Notice* to all City departments, public agencies that may be interested in the property, and agencies with regulatory or policy responsibilities that affect the property.

All the departments and public agencies are expected to return a completed *Excess Property Response Form* within 30 days of receiving the Notice. If a department or agency wants to propose a new use for the property, it also returns an *Excess Property Proposed Use Form*, which RES sends to the jurisdictional department. The jurisdictional department reviews any proposed uses submitted by other departments or agencies and, within 30 days, recommends a course of action to RES. RES then conducts its own analysis of the proposed uses, and may recommend a different course of action than the one recommended by the jurisdictional department.

Next, RES classifies the proposed decision as "simple" or "complex". RES personnel summarize proposed and recommended uses on a *Property Review Process Determination Form*, which assigns point values to eight yes/no questions to determine whether the decision will follow the "simple" or "complex" process. Regardless of other factors, a decision is classified as "complex" if either:
- The estimated fair market value of the property exceeds $1 million; or

- The jurisdictional department, the REOC, or the City Council has requested a "complex" designation.[21]

RES then summarizes its analysis and recommendations for the property (including the complexity analysis) in a *Preliminary Recommendation Report on Reuse or Disposal of Excess Property* (*Preliminary Report*). The *Preliminary Report* is distributed to the REOC and all City departments and agencies that expressed interest in the property.

For "simple" decisions, RES then prepares legislation to transfer the property to another department or agency, or to declare it Surplus Property, in accord with its decision. The legislation goes to the City Council for approval.

For "complex" decisions, RES submits the *Preliminary Report* and a proposed public involvement process to the REOC. After REOC approval, RES briefs the appropriate City Council Committee about the decision and the proposed public process. RES also provides this information to the jurisdictional department and other City departments and agencies that expressed interest in the property.

After the public involvement process is completed, RES prepares a *Final Recommendation Report* to summarize comments and revise its recommendations. If approved by the REOC, the report goes to the City Council, along with legislation for any recommended transactions.

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[21] *Procedures,* section 8.3.3.

<u>Jurisdictional department evaluations of other departments' proposed uses are unnecessary.</u>

We noted above that other departments' proposed uses for excess property are reviewed first by the jurisdictional department that is releasing the property, then by RES. According to RES, the purpose of this evaluation is to give the jurisdictional department an opportunity to express concerns about proposed uses that might have adverse managerial or financial consequences for it. This is an important consideration, but the *Procedures* ask the jurisdictional department to do considerably more than just express its concerns. The *Procedures* state,

> Within 30 days of receiving copies of completed Excess Property Proposed Use Forms, the Jurisdictional Department should analyze the proposed uses and forward its recommendation for Reuse or Disposal to RES. This recommendation should describe the preferred Reuse or Disposal and may propose a Transferee or method for selecting a Transferee."[22]

If the jurisdictional department does not prefer any particular proposal, this evaluation process creates unnecessary work, and may place the department in the awkward position of having to choose between several other departments' competing proposals. Moreover, RES may recommend any usage option "even it if differs from the option recommended by the Jurisdictional Department."[23] On the other hand, the jurisdictional department can effectively veto RES's recommendation by simply withdrawing its property from the Excess Property process.

Since the jurisdictional department ultimately controls the outcome of the Excess Property process, requiring it to analyze the proposed uses and make a recommendation seems unnecessary. To assist RES with its analysis, though, the jurisdictional department should be expected to review the proposed uses and state any concerns it may have.

Recommendation

9. The City Council, RES, and interested departments should consider replacing the *Procedures'* requirement that jurisdictional departments "analyze the proposed uses" and form a "recommendation for Reuse or Disposal to RES" with a provision giving jurisdictional departments an opportunity to comment on the proposals, and perhaps even to veto RES's recommendation.

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[22] *Procedures*, section 8.2.
[23] *Procedures*, section 8.3.2.

RES, jurisdictional departments, and the REOC have been fulfilling the City Council's objective of ensuring that neighborhoods have opportunities to consider potential uses of excess City-owned property.

The following is one of the "guiding principles" of the *Procedures*: "These procedures are intended to encourage citizen participation and to be coordinated with and to support neighborhood planning efforts."[24]

Neighborhoods and citizens have benefited from centralized management of the City's real property. RES, jurisdictional departments, and the REOC have contributed to the City's Neighborhood Planning process by identifying unused City-owned land within defined neighborhoods and evaluating possible uses proposed by the neighborhoods. The City now plans to dispose of nearly one-third of the properties reviewed, in accord with the *Procedures*. Several other properties have been approved for neighborhood uses or for transfer to other departments.
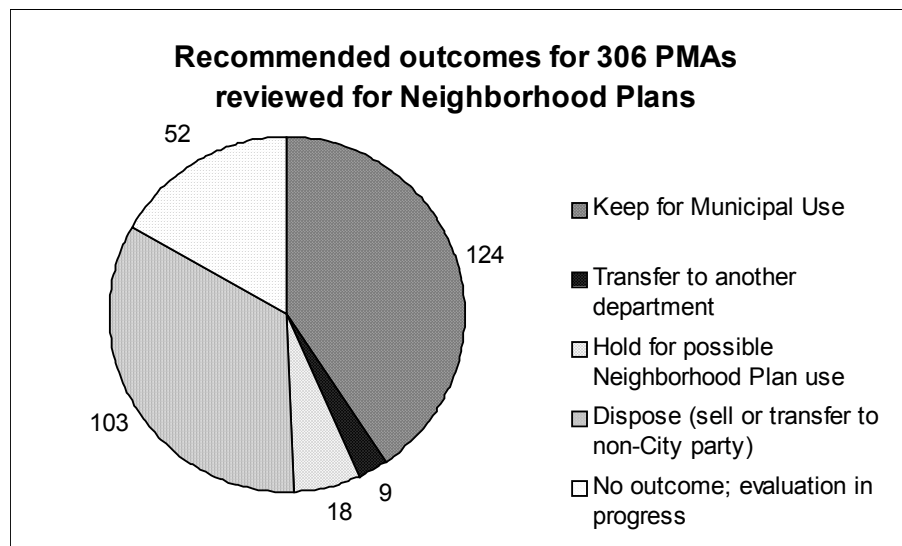
Neighborhood Planning

As part of the City's Neighborhood Planning process, RES and the jurisdictional departments reviewed more than 300 Property Management Areas[25] that were located within defined neighborhood plan areas. RES's Strategic Planning staff developed a package of information about those properties for each defined neighborhood, and worked with the neighborhood, jurisdictional departments, and the REOC to propose new uses for them.

RES management had originally planned to review all parcels in each defined neighborhood, checking their RPAMIS usage

classifications as well as identifying possible Excess Property. Employees would conduct site visits and other research to determine how and when each property was being used. But that approach would have taken too much time to be useful to the Neighborhood Plans, so RES focused on vacant parcels and PMAs classified as Unused Property.

As of November 2000, this process had targeted over one-third of the reviewed PMAs for disposal, and 18 PMAs were being held for potential neighborhood purposes. RES and the REOC recommended that the City retain about 43 percent of the 306 PMAs for municipal uses, but recommended that nine of these PMAs be transferred to other jurisdictional departments. Another 52 PMAs required further research and planning before a recommendation could be made. (See the chart below.)

Recommended outcomes for 306 PMAs reviewed for Neighborhood Plans

Legend:
- Keep for Municipal Use
- Transfer to another department
- Hold for possible Neighborhood Plan use
- Dispose (sell or transfer to non-City party)
- No outcome; evaluation in progress

Values shown: 124, 9, 18, 103, 52

Source: Real Estate Services

Many of the proposed outcomes, including sales, transfers, and continued and new municipal uses, are in accord with Neighborhood Plans.

RES recently began evaluating potential uses or disposition options for 208 vacant or

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[24] *Procedures,* section 5.0.(J).
[25] For more about PMAs, see the text box on page 5.

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unused PMAs that are not located within any defined Neighborhood Plan areas.

We were not able to determine how many of the PMAs identified for action during the Neighborhood Plan process have begun or completed the Excess Property disposition process (described in the previous section at page 13).

<u>Public process has caused some delays</u>

To be sold or otherwise transferred, Excess Property identified by the Neighborhood Plan review has had to undergo two rounds of review. First, when vacant property information was presented to the neighborhoods, then again, via the *Procedures*, if a parcel was determined to be Excess Property as a result of the neighborhood review. Moreover, Excess Property parcels within the neighborhoods have generally not been offered for sale until the City Council has adopted the relevant

Neighborhood Plans. This appears to have delayed some reuse or disposition outcomes. Seattle City Light (City Light) has been especially affected by the amount of time the combination of the Neighborhood Plan process and the *Procedures'* disposition process has taken to approve some of its Excess Property for disposition. In April 2000, City Light's real property manager indicated that City Light had identified property assessed at $17 million as Excess. Because the utility includes anticipated property sale proceeds in its budget and electric rate calculations, delayed sales can cause budget and revenue problems.

According to RPAMIS data provided by RES, SCL had 35 PMAs classified as Excess Property as of November 2000. Later information indicated that SCL actually has about 65 Excess Property PMAs, but only 35 are in the disposition process. Now that the Neighborhood Plan process is nearing completion, more of these properties have entered the disposition process.

Jurisdictional departments have not consistently informed RES about real property transactions and changes in property usage.

The *Procedures* state:

> For purposes of maintaining the accuracy of the RPAMIS database, Jurisdictional Departments are to report all changes in the status of Real Property. The changes are to be reported to RES within 30 days of the change. Such changes include acquisitions, Disposals, Transfers (including Transfers of Jurisdiction or Partial Jurisdiction), and changes in current or potential future use.[26]

With training from RES personnel, the jurisdictional departments can enter real property transaction information into the RPAMIS database format. RES has trained Parks, Seattle Public Utilities (SPU), and Seattle City Light (SCL) personnel to add information to the RPAMIS database and edit existing database information.

Alternatively, jurisdictional departments can report real property transactions and usage changes by completing computer-based forms developed by RES. Staff can send the forms to RES electronically or they can print and mail the forms to RES staff, who then enter the information from the forms into RPAMIS.

According to RES, jurisdictional departments have not consistently reported real property transactions and status changes.

Outdated property ownership information presents a potential liability risk for the City. Inability to determine jurisdiction for City property could delay responses to citizen requests or complaints; or inaccurate information could result in exclusion of property from City projects.

Before the *Procedures* were enacted, RES drafted memoranda of understanding (MOUs) with SeaTran and the Parks and Recreation Department to clarify roles and responsibilities

for entering real property information into RPAMIS and otherwise maintaining consistent information about City-owned real property. SPU is also a party to the Parks & Recreation MOU, because SPU is primarily responsible for the City's GIS.

RES and Seattle City Light signed a memorandum of agreement (MOA) in 1997. Under the MOA, SCL pays RES for some real property services, including weekly part-time assistance of one member of the RES staff to map real property acquisitions (mostly easements and rights of way) and update the RPAMIS database.

We believe that inconsistent reporting by jurisdictional departments is the product of several circumstances, including:

Some departments do not believe RPAMIS is very useful for their routine work. SCL, SPU, and SeaTran negotiate for rights-of-way and easements more often than for fee simple ownership of real property. Although RPAMIS includes records of easements and other non-fee rights, its primary focus, especially in its infancy, has been on properties owned in fee simple. This is consistent with the primary reason RES was created – to manage the City's fee simple real property more effectively. Several departments are developing or improving their own databases; they have been coordinating their efforts with RES.[27]

Departments are reluctant to surrender some aspects of property management to RES. The concept of a centralized real property asset management function is still relatively new to the City. RES is still carving out its role relative to the jurisdictional departments, which remain intent upon managing their properties in accordance with their individual missions. Getting them to dedicate limited

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[26] *Procedures*, section 6.3.

[27] We did not evaluate the systems of other departments or examine whether they involve unreasonable duplication of effort.

resources to City-wide real property asset management issues is not an easy task.

The Parks & Recreation Department has extensive real property records, which it has used to create its own database and GIS layer. However, Parks has cooperated with RES by working to reconcile its data with RPAMIS data, thereby improving the accuracy of both data sets. SPU is developing its own real property database in a project entitled *Geocode 2000*. This project will create an automated real property system from SPU's paper files regarding about 13,000 subject parcels. Project staff are entering this property information into RPAMIS as they proceed with *Geocode 2000*. (Further discussion follows in the next conclusion section.)

Some departments find RPAMIS cumbersome to use when responding to citizens who are trying to determine whether the City owns property at specific street address. Some departments prefer to use Metroscan, a subscription service based on county assessor information, to find street address information. Assessor information is based on current ownership or tax responsibility and is organized primarily by street address, whereas RPAMIS is based on transactions and is not organized by street address. And, like many software applications, RPAMIS is difficult to use efficiently until users become familiar with it. Since RPAMIS data is integrated into the City's GIS, though, most departments should be able to use GIS software to respond to questions about street addresses.

RES personnel have been working with jurisdictional departments to address some of their concerns. They have also proposed to develop a web-based RPAMIS interface as a way to increase its usefulness to City staff and citizens. RES has estimated that the new interface would cost about $100,000 and take one year to develop.

Recommendations

10. Jurisdictional departments should consistently report changes in real property status to RES, as required by the *Procedures*. Each department should incorporate the reporting process into its procedures for processing real property transactions.

11. RES should continue working with jurisdictional departments to improve the usefulness and user-friendliness of RPAMIS. Results should be incorporated into the Memoranda of Understanding (MOU) and draft MOUs with the jurisdictional departments.

Decentralized entry of information about past property transactions may be compromising the RPAMIS database.

Decision-makers at department and City-wide levels need accurate and timely real property information in order to make effective and efficient real property decisions. Relying on the jurisdictional departments to enter past transaction information into RPAMIS carries some risk of inconsistent or inaccurate data entry. Even if RES intercepts and corrects the most significant errors, the presence of lesser errors may lead users to question the overall reliability of RPAMIS. If they conclude that the information in the RPAMIS database is not reliable, they will not use it.

To replace the assessor-based data that was initially used to create the RPAMIS database with data about past real property transactions, someone must review the property records of each jurisdictional department and enter the appropriate transaction information into RPAMIS. When this effort is complete, RPAMIS will comprise a historical record of all transactions involving City-owned property.

Currently, each jurisdictional department is responsible for entering past transaction information from its real property records into the RPAMIS database "when resources permit".[28] SPU's *Geocode 2000* project is expected to add about 15,000 subject parcels from past transactions into the database.

Upon request, RES staff will train jurisdictional department staff to enter real property data from their paper records into the RPAMIS database. RES has provided RPAMIS training to personnel in SPU, SCL, and Parks. RES staff review the information submitted by the jurisdictional departments before permanently adding it to the database.

Entering data from paper files of past real property transactions into the RPAMIS database is generally not a high priority for the jurisdictional departments. But having them enter transaction information "as resources permit" creates several potential problems. The data entry work is sometimes interrupted when new priorities emerge; and other employees are later assigned to continue the work; this may require more training by RES staff and reduce the consistency of the data entry. If a project manager receives training from RES, then insists on training his or her project staff; any errors the manager systematically makes are likely to be repeated by the project staff.

Recommendation

12. RES and jurisdictional departments should consider ways to better ensure the accuracy of the real property data in the RPAMIS database. (For example, RES and the jurisdictional departments might conduct real property data entry in teams. The RES representative would be primarily responsible for selecting the appropriate data from the paper records and entering it in the appropriate locations. The jurisdictional department's representative would maintain the integrity of the department's paper records and make sure all data required for the department's own computer records were entered properly.)

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[28] RES, *RPAMIS Progress Report – 1999*.

The RPAMIS real property database does not always include designations of historic value, but risks associated with City ownership of potentially historic structures are being addressed in other ways.

The subject parcel records in the RPAMIS database do not include fields to identify properties with City Landmarks or structures on the Federal or State Registers of Historic Places. However, the database PMA records do include information about all structures on each PMA, including their construction dates. (One of the criteria for nomination as a City Landmark is that a structure must be at least 25 years old.) Furthermore, the RPAMIS building conditions records would allow departments to enter such information. Upon learning that the Department of Neighborhoods (DON) maintains a list of City of Seattle Landmarks, RES personnel expressed interest in entering that information into RPAMIS.

Generally, there is no legal liability for destroying or altering structures on the federal or state historical registers. (A federal review is required if a historic structure would be affected by a "federal undertaking", which can include federal funding of the structure's construction or alteration, federal permit requirements, or other actions.) There is a penalty ($500 per day) for demolishing or altering any property that has been nominated for City Landmark status.[29] Of course, destroying or altering any potentially historic sites may have aesthetic costs or incur "political liability" for the City and its officials.

Our interviews with staff at DON and other departments suggested that most controversies about historic significance arise when a department acquires property and makes plans or promises to neighborhoods that involve destroying or altering potentially historic structures. Sometimes the jurisdictional department has invested significant planning resources by the time DON is made aware of historic concerns.

In a Budget Guidance Statement for the 2000 fiscal year; the Mayor and City Council agreed to provide DON with $20,000 from the General Fund to 1) conduct a survey of City-owned property to identify those with potential historical significance, and 2) develop a process that departments can use to evaluate the historic significance of properties they acquire.

DON hired a consultant to perform much of the work, with the expectation that the survey phase would produce a list of City-owned historical properties "compatible with ESD's database [RPAMIS]".[30] The consultant used an RPAMIS-generated list of City-owned properties and structures built before 1965 as the starting point for her survey work.

In May 2001, DON and its consultant completed a survey report that profiled over 240 City-owned properties[31]. The report also describes the historical development of properties controlled by the Parks and Recreation Department, Fire Department, SPU, City Light, and Seattle Center.

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[29] Seattle Municipal Code, section 25.12.910.

[30] Department of Neighborhoods, *Consultant Scope of Work: Comprehensive Inventory of City-Owned Historic Resources*.
[31] Department of Neighborhoods, *Survey Report: Comprehensive Inventory of City-Owned Historic Resources -- Seattle, Washington*, 20 May 2001.

OTHER ISSUES

The City does not maintain a comprehensive list of reports that are mandated by City code or policies, or a system to track when such reports are due to the Mayor or the City Council.

When we learned that RES had not submitted annual reports in 1999 and 2000, as required by the *Procedures*, we made inquiries of Legislative Department and other personnel to determine whether the City Council had been aware that the reports were not submitted. We concluded that there is no system to track reports due to the City Council.

Using the legislative search function in the City Clerk's website, we identified about 40 ordinances that require City departments or commission to submit periodic reports to the City Council. It is likely there are more. Most of these ordinances require annual reports, but few specify a due date.

Lack of a report tracking system creates several potential problems:

➢ Without knowing the existing report schedule, it is not possible to schedule new reports so that they are distributed efficiently in the Council's workload.

➢ Departments may be wasting time and resources producing reports that the Council and/or Mayor are no longer interested in.

➢ Departments may be lax about complying with reporting requirements if they are not held accountable for "required" reports. As a result, the Council or Mayor may miss oversight opportunities that they intended to exercise, which could, in turn, have political or legal consequences.

Recommendations

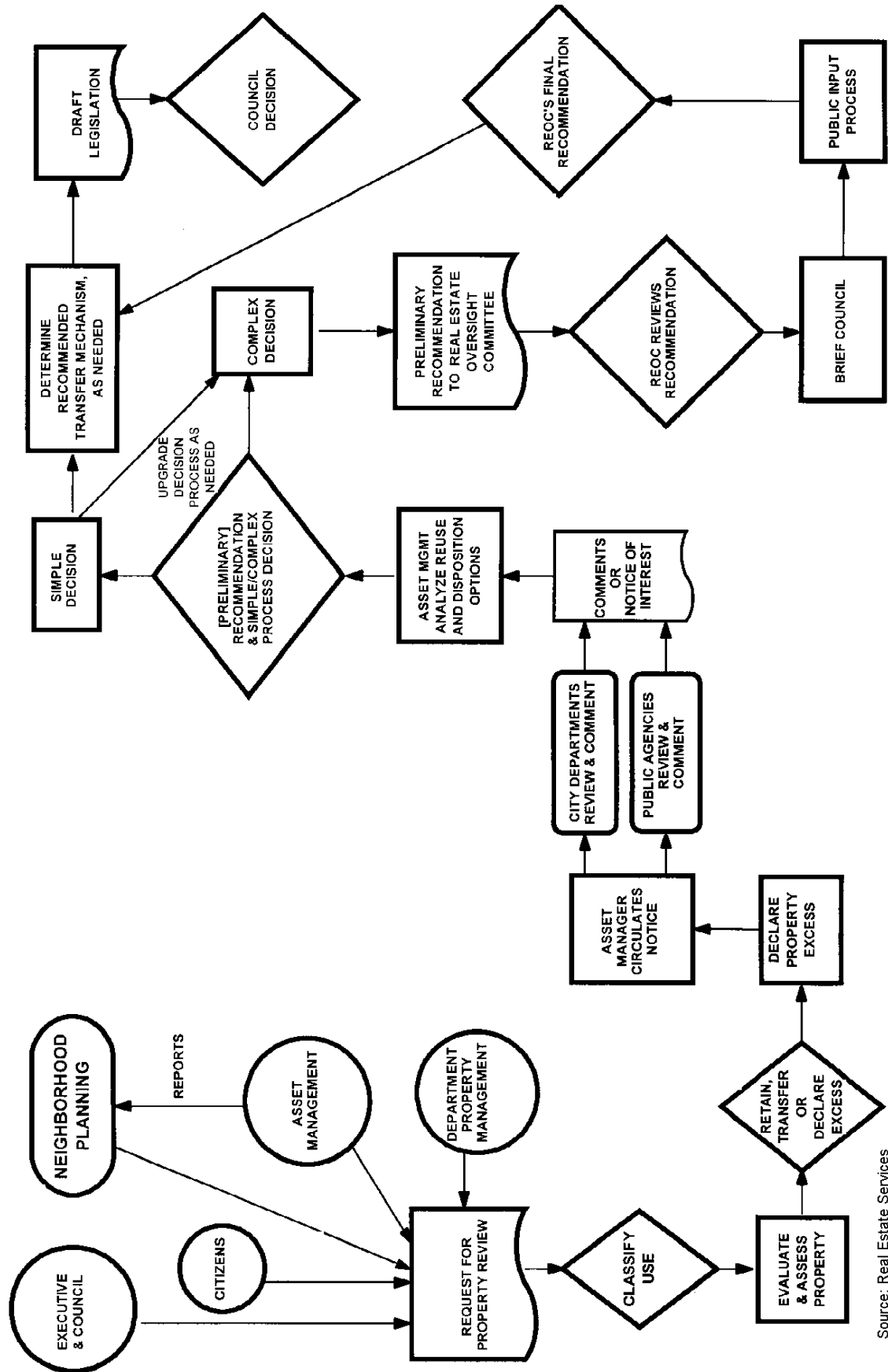13. The City Council should consider the following actions:

a. Direct the City Clerk or other appropriate department to conduct the research necessary to develop a list of all reports that are routinely due it, and to design a system that will help ensure that such reports are submitted as scheduled.

b. Review the completed list of reports, decide whether it wants to eliminate any reports or change reporting frequency, and update the SMC as appropriate.

c. When drafting legislation that would require a department or commission to submit periodic reports, work with the department or commission to specify when the reports should be submitted, in order to provide a predictable reporting schedule.

City Clerk's comments

After reviewing a draft of this report, the City Clerk agreed that her office would be an appropriate location for this research and report tracking function. The Clerk is prepared to implement this work if the City Council asks her to do so. We understand that the Clerk has had an opportunity to bring this issue to the attention of the City Council's Legislative Department and Intergovernmental Affairs Committee.

PROCESS FOR THE EVALUATION OF CITY PROPERTY FOR RETENTION, REUSE AND DISPOSITION

DRAFT LEGISLATION

COUNCIL DECISION

REOC'S FINAL RECOMMENDATION

PUBLIC INPUT PROCESS

DETERMINE RECOMMENDED TRANSFER MECHANISM, AS NEEDED

COMPLEX DECISION

PRELIMINARY RECOMMENDATION TO REAL ESTATE OVERSIGHT COMMITTEE

REOC REVIEWS RECOMMENDATION

BRIEF COUNCIL

UPGRADE DECISION PROCESS AS NEEDED

SIMPLE DECISION

[PRELIMINARY] RECOMMENDATION & SIMPLE/COMPLEX PROCESS DECISION

ASSET MGMT ANALYZE REUSE AND DISPOSITION OPTIONS

COMMENTS OR NOTICE OF INTEREST

CITY DEPARTMENTS REVIEW & COMMENT

PUBLIC AGENCIES REVIEW & COMMENT

ASSET MANAGER CIRCULATES NOTICE

DECLARE PROPERTY EXCESS

NEIGHBORHOOD PLANNING

REPORTS

ASSET MANAGEMENT

DEPARTMENT PROPERTY MANAGEMENT

EXECUTIVE & COUNCIL

CITIZENS

REQUEST FOR PROPERTY REVIEW

CLASSIFY USE

EVALUATE & ASSESS PROPERTY

RETAIN, TRANSFER OR DECLARE EXCESS

Source: Real Estate Services

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APPENDIX B

Fleets and Facilities Department response

(next page)

Fleets and Facilities Department
John Franklin, Director

November 30, 2001

Susan Cohen
City Auditor
Office of the City Auditor
700 5th Avenue, Room 2410
Seattle, WA 98104

RE: AUDIT OF REAL PROPERTY ASSET MANAGEMENT

Dear Ms. Cohen:

Fleets and Facilities (FFD, and formerly DAS/ESD) welcomes this audit as a means of evaluating a relatively new City program which was implemented in 1997 - a citywide approach to real estate asset management policies and procedures with an emphasis on the City-wide real property database (RPAMIS).

FFD concurs with the majority of the conclusions and recommendations of the Audit (specific responses to recommendations are outlined below). We certainly agree with the general conclusion that the City "has made progress in its effort to increase the centralization of real property management". The City-wide RPAMIS database has been a useful tool for the City's real estate professionals and staff in other arenas as well. As the source for the City Real Property Finder interactive mapping application on the City's PAN site, RPAMIS is also meeting citizen information needs with this popular tool. The Disposition Procedures adopted in 1998 have improved the quality of information provided to decision-makers.

We also agree that "some aspects of centralization remain problematic". Our primary area of concern is the question of how to improve the amount and accuracy of data in RPAMIS. This issue is addressed in Recommendations #1, 5, 10, 11, and 12.

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Recommendations

1. *When a jurisdictional department classifies a property as Unused, it should identify a future use for the property and a date upon which they expect such use to begin.*
RES agrees that if a jurisdictional department classifies a property as Unused instead of Excess, it should identify a future use for the property and an anticipated date upon which they expect such use to begin, identify an evaluation process and schedule for determining whether the property is suitable for the intended purpose as needed, or reclassify the property as Excess.

2. *RES should monitor the progress of jurisdictional departments toward the future uses they have identified.*
RES agrees that it should monitor the status of unused property on a period basis and note whether the identified future use has been implemented, is still contemplated or whether the property should be reclassified.

3. *The Finance Department should work with RES to develop procedures to dispose of properties it has acquired as a result of LID or other foreclosures.*
The Finance Department has signed a Memorandum of Agreement with RES for interim management and eventual disposition of the properties acquired through LID or other foreclosures. RES is actively circulating information about many of these properties to other City departments and public agencies and is beginning to forward disposal recommendations to the City Council.

4. *Each jurisdictional department should review its real property, in accord with the schedule established in the Procedures, "to consider the suitability of each property for its current use and to consider Reuse or Disposal of Underutilized and Unused Property".*
RES strongly endorses the recommendation that each jurisdictional department should review its real property in accord with the schedule established in the *Procedures* to improve and maintain the quality of data available to City decision-makers, staff and the general public.

5. *RES should assist jurisdictional departments as needed to ensure that the departments are able to review RPAMIS property classification information for their real properties. Each jurisdictional department should review the RPAMIS property classification information and submit confirmations and corrections to RES by February 15 of each year, as the* Procedures *indicate.*

RES will provide a report to each jurisdictional department by December 31st of each year listing the current status of each property and requesting updated information by February 15 as required. The quality of the information will be affected by whether the jurisdictional departments are reviewing and analyzing the status of their real estate holdings according to the schedule as discussed in Recommendation #4.

6. *RES should submit the annual status report and quarterly Excess Property status reports to the appropriate City Council committee(s). If a department has not reviewed its RPAMIS usage data, RES should use its most recent data and indicate when each property's information was last reviewed by its jurisdictional department.* Providing information regarding the last review of a property by its jurisdictional department should resolve concerns at RES about providing outdated information to the City Council, as it will highlight the role of the jurisdictional department in keeping the information in the database current.

7. *The City Council, REOC, RES, and jurisdictional departments should consider revisiting the issues of timing and content of real property status reporting.* RES is open to changes in the timing and content of real property status reporting in order to improve the quality of information available to the City Council. To date, RES has been somewhat hesitant to share data due to the infrequency of departmental updates.

8. *The City Council, the REOC, RES, and interested departments should consider refining the property classifications described in the* Procedures. *An essential factor will be the ability to integrate the refined system with current database records.* The classification system that was incorporated in the Procedures was the subject of extensive discussion by the interdepartmental committee drafting that document. Integrating the concepts of <u>degree of use</u>, <u>type or nature of use</u> and <u>property status</u> is valuable but complex. RES is willing to facilitate a discussion through the REOC, with City Council input, to review and possibly refine the classification system. Changing the database records will not be problematic, however, the quality of the property classification data will be further limited until departments provide accurate classification information to RES.

9. *The City Council, RES, and interested departments should consider replacing the Procedures' requirement that jurisdictional departments "analyze the proposed uses" and form a "recommendation for Reuse or Disposal to RES" with a provision giving jurisdictional departments an opportunity to comment on the proposals, and perhaps even to veto RES's recommendation.*
RES agrees that providing jurisdictional departments an opportunity to comment on the proposals received during the circulation process rather than requiring them to "analyze the propose uses and form a recommendation for Reuse or Disposal" should meet the intent of this section of the Procedures. RES's intention was to provide jurisdictional departments with an opportunity to identify any potential implications to their departmental operations or activities from any proposals from other departments or City agencies. One purpose of the REOC is to provide a forum to address and resolve any issues or conflicting proposals and to develop the Executive's final recommendation. In a situation where the jurisdictional department disagrees with RES' recommendation, both proposals would be discussed with the REOC and, as such, there is no need to provide for "veto power."

10. *Jurisdictional departments should consistently report changes in real property status to RES, as required by the Procedures. Each department should incorporate the reporting process into its procedures for processing real property transactions.*
RES provides at least two alternatives for jurisdictional departments to report changes in property status (direct RPAMIS entry and paper forms). Experience to date has shown that reporting acquisitions, dispositions and leases has not been a priority for departments. As a work-around, RES has been able to monitor acquisitions and dispositions by reconciling King County assessment records and has solicited information regarding transactions from departments in an attempt to maintain the accuracy of the database.

11. *RES should continue working with jurisdictional departments to improve the usefulness and user-friendliness of RPAMIS. Results should be incorporated into the Memoranda of Understanding (MOU) and draft MOUs with the jurisdictional departments.*
To date, the Memoranda of Understanding and draft MOU's have not been very effective in improving the level and quality of information in RPAMIS. RES favors improvements to RPAMIS that will increase the use of the system. However, the cost-benefit of changing the database interface if the pattern if use is not increased accordingly should be examined. Training has been provided to a number of other department staff on multiple occasions but the staff do not consistently use the system. Exploring the integration of RPAMIS use into the business processes of departmental real estate units may provide some opportunities to increase use, and identify prospective usability improvements in the database. This is a difficult issue
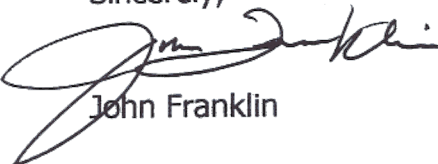
for RES to raise without being perceived as "meddling" in another department's affairs.

12. RES and jurisdictional departments should consider ways to better ensure the accuracy of the real property data in the RPAMIS database. (For example, RES and the jurisdictional departments might conduct real property data entry in teams. The RES representative would be primarily responsible for selecting the appropriate data from the paper records and entering it in the appropriate locations. The jurisdictional department's representative would maintain the integrity of the department's paper records and make sure all data required for the department's own computer records were entered properly.)

RES can work with jurisdictional departments to prioritize and simplify data maintenance to some extent. At a minimum, if jurisdiction departments do not have resources to research past real property transactions, data concerning current transactions should be entered into the database. While extensive ad hoc research relative to prior real estate transactions is performed in the course of routine real property business of jurisdictional departments and this information would be valuable to enter into RPAMIS, the data is often not entered into the database. An alternative to data entry by individual departments may be heavier reliance on RES entry from either transaction forms or source documents provided by the departments. In either case, prioritization of limited staff resources has proven to be a barrier to a concentrated effort to improved data entry.

We thank you for the opportunity to comment on the Audit, and will move forward to improve both the RPAMIS database and associated business processes as recommended.

Sincerely,

John Franklin

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* *

Report: **Managing the Real Property Assets of the City of Seattle**

Please rate the following elements of this report by checking the appropriate box:

	Too Little	Just Right	Too Much
Background Information			
Details			
Length of Report			
Clarity of Writing			
Potential Impact			

Suggestions for our report format:

Suggestions for future studies:

Other comments, thoughts, ideas:

Name (Optional):

Thanks for taking the time to help us.

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